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OGC HAS REVIEWED.

OGC 60-0596(a)

14 MAY 1960

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Establishment of an Additional GS-11 Auditor Position  
on the Audit Staff for the Purpose of Effecting an  
Internal Audit of the Credit Union

REFERENCES: (a) Memorandum from the Director of Personnel to the  
Deputy Director (Support), dated 21 March 1960,  
subject - Establishment of Additional Auditor Position  
  
(b) Memorandum from the Comptroller to the General Counsel,  
dated 25 April 1960, same subject

1. The Comptroller, in reference (b), states that a question has been raised as to the desirability and legality of the Credit Union reimbursing the Agency at the salary equivalent of a GS-7 in connection with the assignment of a GS-11 Agency auditor for the purpose of performing an internal audit of the Agency's Credit Union.

2. As you know, this situation involving the assignment of employees to the Credit Union on a reimbursable basis is peculiar to our Agency and derives from security considerations. The normal credit union hires its own employees "off the street" and these employees have no connection with the individual Government organization which supports the particular credit union. The Federal Credit Union Act in addition to providing for a board of directors, officers and a credit committee makes provision for a Supervisory Committee to be appointed by the board of directors. The Act provides that this Supervisory Committee shall make or cause to be made quarterly and annual audits of the books. The normal credit union may call in outside auditors to perform these audits and may pay for them from credit union funds. The authority for this is contained in the Credit Union Act, which provides that the board of directors, among other duties, shall "provide for compensation of necessary clerical and auditing assistance requested by the Supervisory Committee." We believe, therefore, that our Credit Union is obligated under the Act to pay for whatever auditing services are required by its Supervisory Committee whether such services are rendered directly or for security reasons are performed by an Agency employee on a reimbursable basis.

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3. We are not in a position to state what level of competence is required to do the audit, and the responsibility for decision on this point rests in the Supervisory Committee. In our opinion, the Agency Audit Staff has no official responsibility for the Credit Union audit. That Staff's recommendation, therefore, that a GS-11 level is required is merely advisory so far as the Supervisory Committee is concerned. The Supervisory Committee can also get recommendations on this point from the Federal Credit Union Bureau in HSW but would not be prohibited from obtaining services at a higher level than recommended by that Bureau.

4. As a matter of information, the Chairman of the Supervisory Committee (who is a member of the Audit Staff) advises informally that, in his opinion, the increased size of our Credit Union, with the accompanying complexity of its operations, warrants the assignment of at least a GS-9 for normal internal audit duties and that, as a matter of fact, the Credit Union would be getting its money's worth in reimbursing for a GS-11 both as regards that function and the external audit function required of the Supervisory Committee by the Federal Credit Union Act.

5. Our conclusion is that providing the audit is the responsibility of the Credit Union itself through its Supervisory Committee and the Credit Union should pay the cost thereof. We do not see any basis for expenditure of official funds for all or any part of this cost.

LAWRENCE R. ROGSTON  
General Counsel

Attachments - References (a) and (b)

cc: Chief, Audit Staff  
Director of Personnel  
Comptroller

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